



**CHRISTOPHER M. HUBER**  
**General Counsel for ORS**

Office of Regulatory Staff  
1401 Main Street  
Suite 900  
Columbia, SC 29201  
(803) 737-0800  
ORS.SC.GOV

December 3, 2021

**VIA ELECTRONIC FILING**

Jocelyn G. Boyd, Esquire  
Chief Clerk & Administrator  
Public Service Commission of South Carolina  
101 Executive Center Drive, Suite 100  
Columbia, South Carolina 29210

RE: Lockhart Power Company Filing Renewable Energy Credit Purchase and Sale Agreement  
**Docket No. 2021-339-E**

Dear Ms. Boyd,

By this letter, the South Carolina Office of Regulatory Staff ("ORS") hereby notifies the Public Service Commission of South Carolina ("Commission") that ORS has reviewed Lockhart Power Company's Renewable Energy Credit Purchase and Sale Agreement ("REC Agreement"). Below is a discussion of the Company's request and ORS's review.

**Overview of Company's Request**

On October 27, 2021, Lockhart Power Company ("Lockhart," "LPC" or the "Company") filed a request with the Commission for approval of the REC Agreement, to the extent that such approval is required. Prior to the filing, Lockhart and ORS engaged in discussion and informal discovery about a proposed tariff to govern the sale and purchase of Renewable Energy Credits ("RECs") on a nondiscriminatory basis. Below is a timeline of ORS's activities related to the REC Agreement filed in this docket:

Date	Description
1/22/2021	LPC provided a draft proposed tariffs RE-1 and Schedule O to ORS for review.
2/26/2021	Meeting between LPC and ORS via phone call
3/4/2021	LPC provided a revised draft of the proposed tariffs RE-1 and Schedule O to ORS for review.
3/16/2021	ORS sent LPC informal Data Request #1.
3/23/2021	LPC provided responses to the ORS Data Request #1.
4/8/2021	ORS provided e-mail feedback to LPC regarding the proposed tariffs.
4/16/2021	ORS sent LPC Legal a follow up e-mail discussing the phone calls with LPC on 4/14/21 and 4/16/21 and providing further feedback.
10/27/2021	LPC Submitted Renewable Energy Credit Purchase and Sale Agreement to PSC for approval. LPC Schedule O last revision was in October 2018 per eTariff, however a revision was approved by Order No. 2021-414 and became effective June 9, 2021.

According to the U.S. EPA, a REC is a “tradeable, market-based instrument that represents the legal property rights to the ‘renewable-ness’ – or non-power attributes – of renewable electricity generation.”<sup>1</sup> The REC Agreement identifies that a REC will equal the Environmental Attributes associated with generating one megawatt-hour of electricity from a renewable energy resource. Under the REC Agreement, the Buyer may claim exclusive rights to the environmental benefits associated with using renewable resources to generate power and avoid emissions from conventional generation sources.

Lockhart and the Buyer have negotiated prices for the RECs. The REC Agreement indicates the REC transaction shall begin in January 2021 and continue until the REC Agreement expires on December 31, 2022. Lockhart indicates in the filing that the RECs will be recorded with the North American Renewables Registry. In addition, Lockhart will separately account for the revenues and expenses associated with the sale of RECs. Lockhart is recording the revenues and associated expenses in accordance with FERC accounting guidelines under the balance sheet Account 253, in separate sub-accounts to keep the revenues and expenses separate from other items in that account.<sup>2</sup>

### ORS Review

ORS has reviewed the Company’s filing requesting approval of the REC Agreement. ORS recognizes that Lockhart adopted several of ORS’s recommendations but continues to believe that each REC contract should be presented to the Commission for its approval under Regulation 103-303.B and S.C. Code Ann. § 58-27-980. Doing so would eliminate the need for a separate Rider

<sup>1</sup> [https://www.epa.gov/repowertoolbox/renewable-energy-certificate-monetization#:~:text=A%20renewable%20energy%20certificate%20\(REC,%2Dhour%2C%20or%20kWh\).](https://www.epa.gov/repowertoolbox/renewable-energy-certificate-monetization#:~:text=A%20renewable%20energy%20certificate%20(REC,%2Dhour%2C%20or%20kWh).)

<sup>2</sup> Docket No. 2021-339-E Lockhart letter dated October 27, 2021 p.2.

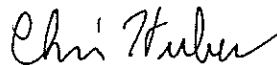
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or for the Company to otherwise change its tariff. ORS also notes that the REC Agreement was executed by the Buyer and Lockhart on December 29, 2020 and filed with the Commission on October 27, 2021. S.C. Code Ann. Regs. 103-303.B states:

All rates, tolls, charges, and contracts involving rates proposed to be put into effect by any electrical utility shall be first approved by this commission before they shall become effective, unless they are exempt from such approval by statute, order of the commission, or other provision of law.

Based on the REC Agreement, the Company did not seek Commission approval of the contract prior to the rates becoming effective.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Huber", written in a cursive style.

Christopher M. Huber

cc: All Parties of Record (via E-mail)  
C. Jo Anne Wessinger Hill (via E-mail)  
David Butler, Esquire (via E-mail)